

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 14 - SEGMENT INFORMATION FOR ENTERPRISES

King County has eight enterprises that are intended to be self-supporting:

1. The Institutional Network (I-Net) Enterprise accounts for the resources used for the development and operations of the fiber optic-based network which provides broadband internet connectivity to agencies across the county.
2. The King County International Airport Enterprise accounts for the Boeing Field/King County International Airport operations and for all resources received and used for the acquisition and development of Airport capital improvements.
3. The Public Transportation Enterprise accounts for public transportation operations and for all resources received and used for the acquisition and development of public transportation capital improvements.
4. The Radio Communications Services Enterprise accounts for the resources used for the development of the regional emergency radio communications system and radio communications services operations.
5. The Sewer Utility Enterprise accounts for operations of certain King County sewerage services areas in accordance with the County Area Services Act. On January 1, 1986, the five County-operated sewer systems were transferred to nearby local sewer districts. The Sewer Utility Enterprise continues to collect the assessments levied and retire the debt outstanding as of the date of divestment.
6. The Solid Waste Enterprise accounts for the King County solid waste disposal facilities operations and for all resources received and used for the acquisition and development of solid waste capital improvements, landfill facilities, and equipment.
7. The Stadium Enterprise accounts for the King County stadium operations, and for all resources received and used for the acquisition and development of stadium capital improvements.
8. The Water Quality Enterprise accounts for water pollution abatement, sewage treatment and disposal operations, and for all resources received and used for the acquisition and development of water quality capital improvements.

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NOTE 14 - CONTINUED

SEGMENT INFORMATION
KING COUNTY ENTERPRISE FUNDS

			KING COUNTY INTERNATIONAL	PUBLIC	RADIO	SEWER	SOLID		WATER
	<u>TOTAL</u>	<u>I-NET</u>	<u>AIRPORT</u>	<u>TRANSPORTATION</u>	<u>COMMUNICATIONS</u>	<u>UTILITY</u>	<u>WASTE</u>	<u>STADIUM</u>	<u>QUALITY</u>
Operating revenues	\$ 382,174,691	\$ 292,350	\$ 8,979,821	\$ 105,824,964	\$ 3,281,300	\$ -	\$ 76,722,333	\$ 44	\$ 187,073,879
Depreciation expense	165,692,479	80,454	1,120,568	67,971,235	1,682,690	-	8,757,205	-	86,080,327
Operating income (loss)	(296,663,932)	2,066	(1,096,327)	(315,489,447)	(798,601)	-	9,123,625	(325,357)	11,920,109
Operating grants	49,031,735	-	81,792	25,833,545	23,664	-	373,012	-	22,719,722
Capital grants	23,096,287	-	5,042,242	16,554,045	-	-	-	-	1,500,000
Operating transfers in	207,682	-	67,589	-	133,684	-	6,409	-	-
Operating transfers out	(588,206)	-	(132,696)	(240,046)	-	-	(140,057)	-	(75,407)
Tax revenues	287,844,161	-	-	287,844,161	-	-	-	-	-
Net income (loss)	20,150,263	1,128,425	4,921,305	21,565,398	(403,877)	11,451	12,510,097	(214,836)	(19,367,700)
Plant, property & equipment									
Increases	381,861,738	1,126,351	10,587,945	57,256,457	1,418,598	-	19,763,125	-	291,709,262
Decreases	(187,841,953)	-	(3,413,351)	(36,521,393)	(1,517,540)	-	(17,111,680)	-	(129,277,989)
Net working capital	37,895,190	82,528	5,455,066	89,384,086	1,053,151	-	11,503,253	1,085,766	(70,668,660)
Restricted assets	700,848,997	-	29,260,599	304,861,047	1,100,166	186,674	119,618,439 ^(a)	-	245,822,072
Total assets	3,522,508,696	1,234,683	78,911,450	1,361,347,273	17,109,460	186,674	229,802,271	2,509,840	1,831,407,045
Bonds & other long-term liabilities									
Payable from operating revenues	1,501,334,820	-	8,325,000	180,139,320	-	-	35,322,770	-	1,277,547,730
Payable from other sources	500	-	-	-	-	500	-	-	-
Total equity	1,609,883,688	1,128,425	65,776,004	1,099,366,275	16,717,383	186,174	89,470,064	2,505,294	334,734,069

(a) See the following page for Solid Waste restricted assets composition

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Solid Waste restricted assets include the following:

\$15,302,104	Solid Waste Capital Equipment Recovery Sub-fund – Established to support the equipment owned by the Solid Waste Division and to ensure that adequate reserves are available to replace equipment when it has reached the end of its useful life. Funding is from annual transfers from the Solid Waste Operating Fund.
43,001,310	Solid Waste Landfill Reserve Sub-fund – Established to provide for facility relocation, closure, post-closure maintenance and replacement costs at the Cedar Hills and Vashon landfills. Funding has consisted of a disposal fee rate factor, presently \$10.75 per ton.
1,829,895	Environmental Reserve Sub-fund – Established to provide for remediation costs related to closed and abandoned landfill sites which the King County Solid Waste Division owns, or has custodial responsibility for, and for costs related to inverse condemnation claims that result from King County solid waste activities.
25,352,799	Solid Waste Construction Sub-funds – Established in 1993 to provide for the acquisition and development of solid waste capital improvements. Funding sources include transfers from the operating fund and general obligation bond issues, which are accounted for in separate sub-funds.
34,132,331	Landfill Post-Closure Maintenance Sub-fund – Established to provide for post-closure maintenance costs at closed and custodial landfills. Funding has consisted of a disposal fee rate factor.
<u>\$119,618,439</u>	Total Solid Waste restricted assets.

Solid Waste Landfill Closure and Post-Closure Care Costs

State and federal laws and regulations require King County to place a final cover on its Cedar Hills and Vashon landfill sites when the County stops accepting waste at these sites. Performance of certain maintenance and monitoring functions are also required at the sites for 30 years after closure. Enumclaw, Hobart, Duvall and Cedar Falls landfills have been covered. Puyallup, Houghton, Bow Lake, First Northeast, and South Park are custodial landfills which were covered 30 or more years ago, beyond the aforementioned state and federal laws and regulations. Although closure and post-closure care costs will be paid only near or after the date that the landfills stop accepting waste, the County reports a portion of these costs as an operating expense in each period. The expense is based on landfill capacity used as of each balance sheet date. The \$90.5 million reported as landfill closure and post-closure care liability at December 31, 2001, represents the cumulative amount reported to date based on the percentage use of the landfills as follows:

<u>Landfill</u>	<u>Percent Filled</u>	<u>Estimated Liability (in millions)</u>	<u>Estimated Remaining Liability (in millions)</u>	<u>Estimated Year of Closure</u>
Cedar Hills	70%	\$ 51.3	\$ 32.1	2012
Vashon	100%	13.7		
Covered	100%	13.9		
Custodial	100%	11.6		

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The County will recognize the remaining estimated costs of closure and post-closure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in current dollars. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post-closure care. The County is in compliance with these requirements, and at December 31, 2001, cash and cash equivalents of \$23.9 million (Landfill Reserve Fund) and \$34.1 million (Landfill Post-Closure Maintenance Fund) are held for these purposes. These are reported as restricted assets on the balance sheet. The County expects future inflation cost will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The County also established the Environmental Reserve Fund for future investigation and possible remediation of custodial landfills. Cash and cash equivalents total \$1.8 million in this fund. The related estimated liability for the custodial landfill costs is \$0.3 million. This estimate includes only those costs that are reasonable and quantifiable and for which schedules may be forecast. There is also additional contingent liability which may be incurred at the custodial landfills depending upon results of future monitoring data. This contingent liability is estimated at \$5.8 million.

Component Unit – Harborview Medical Center Restricted Assets

Harborview Medical Center restricted assets consists of the following:

\$ 35,617,852	HMC Construction Fund (a restricted fund) – Consists of monies from the 1976, 1988, 1993, and 2000 General Obligation Bond issues that are restricted for construction, improvements, and furnishing of the trauma center and other HMC buildings.
24,411,463	HMC Special Purpose Fund (a restricted fund) – Consists of restricted donations, gifts, and bequests from various sources for specific purposes.
24,144,825	Board-designated assets of HMC Operating Fund (a general fund) – Consists of resources designated for specific purposes, including \$16,787,525 for planned capital and service component; \$1,654,676 for trauma center equity; \$198,479 for commuter services; and \$3,959,431 in net fixed assets held for future use.
19,454,728	Board-designated assets of HMC Plant Fund (a general fund) – Consists of resources designated for building improvements, furnishings, and repair and replacement. This fund includes the liability for the 1993 General Obligation Bonds for HMC building construction and equipment acquisition.
<u>\$103,628,868</u>	Total HMC restricted assets.